

## NOTE 15 – BONDS AND NOTES PAYABLE - DISCRETELY PRESENTED COMPONENT UNITS

### A. Bonds and Notes Payable

#### Bonds Payable

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority utilize June 30 fiscal year-ends. The

remaining discretely presented component units have September 30 fiscal year-ends. The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-ends (in millions):

Fiscal Years Ending In	Principal	Interest	Total
2002	\$ 299.4	\$ 306.7	\$ 606.1
2003	252.1	296.7	548.8
2004	252.6	287.0	539.6
2005	246.8	276.3	523.2
2006	237.0	263.2	500.2
	<u>1,288.0</u>	<u>1,429.9</u>	<u>2,717.9</u>
2007-2011	1,333.2	1,072.8	2,406.0
2012-2016	1,165.3	740.8	1,906.1
2017-2021	1,038.1	438.3	1,476.4
2022-2026	543.1	205.4	748.4
2027-2031	403.4	88.2	491.6
2032-2036	193.4	19.7	213.1
2037-2042	5.8	.3	6.1
	<u>4,682.2</u>	<u>2,565.4</u>	<u>7,247.7</u>
		<u>\$ 3,995.3</u>	<u>\$ 9,965.6</u>
Less:			
Unamortized discount	(.1)		
Total principal	<u>\$ 5,970.2</u>		

Included in the table above is \$409 million of demand bonds comprised of the Michigan Higher Education Student Loan Authority, \$141.4 million, and the Michigan State Housing Development Authority, \$267.6 million. Defeased bonds outstanding of the Mackinac Island State Park Commission, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, and nine of the State universities are not reflected in the table above.

Subsequent to their respective year-ends, the following discretely presented component units issued bonds (in millions):

	Amount
Michigan State Housing Development Authority	\$ 24.4
Michigan State Hospital Finance Authority	91.3
Eastern Michigan University	41.4
Grand Valley State University	31.4
Northern Michigan University	30.0
Oakland University	48.0
Saginaw Valley State University	24.4
	<u>\$ 290.9</u>

Disclosures regarding these bonds and transactions are available in the separately issued reports of the various organizations.

Subsequent to June 30, 2001, the Michigan State Housing Development Authority entered into a forward interest rate swap in the amount of \$60 million. The swap is in place to hedge variable rate bonds that will be sold in July 2002. The bonds are being issued to fund multi-family mortgage loans.

#### Notes Payable

The Michigan Municipal Bond Authority has short-term notes outstanding of \$614.1 million as of September 30, 2001.

### B. Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2001, MHEFA had bonds outstanding of \$312.4 million. Of the above amount, \$20.6 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$291.8 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds (\$5.8 billion for the period January 1, 1979 through September 30, 2001) which are not recorded as liabilities. Total taxable bonds issued by MSF for the period October 1, 1997 through September 30, 2001, was \$8.3 million, which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

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**Notes to the Financial Statements**

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The Michigan State Hospital Finance Authority (MSHFA) has issued \$4.8 billion of no commitment bonds as of September 30, 2001. Of the above amount, \$1.1 billion have been defeased in substance. Economic gains and accounting gains and losses, resulting from substance defeasance, inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in the Authority's financial statements. Subsequent to September 30, 2001, the Authority issued similar limited obligation bonds totaling \$91.3 million.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to \$800 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2001, limited obligation bonds had been issued totaling \$426.7 million, of which eight issues totaling \$70.2 million had been retired.